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UNCLAS SECTION 01 OF 02 PARAMARIBO 000502

SIPDIS

SENSITIVE
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STATE FOR JROSHOLT, BLAMPON (EB/TPP/BTA/EWH), DEPT FOR
INL/LP BCARHART, CARACAS FOR LEGATT, PORT OF SPAIN FOR
LEGATT, TREASURY FOR FINCEN

E.O. 12958: N/A
TAGS: [EFIN](#) [SNAR](#) [KCRM](#) [NS](#)
SUBJECT: UNPRECEDENTED CONVICTIONS AGAINST OLDEST BANK IN
SURINAME

REF: A. 07 PARAMARIBO 444

[1](#)B. 07 PARAMARIBO 470

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[1](#)1. (U) SUMMARY In a highly emotional proceeding on August 30 the former and current directors of the De Surinaamsche Bank (DSB), Ed Muller and Sigmund Proeve, were convicted for violating Suriname's foreign exchange law by transferring funds internationally without the consent of the Foreign Exchange Commission. Along with them the bank itself (as an entity), its compliance officer, Patrick Bhagwandin, and casino owner and then-manager of the Suriname Leisure Company (SLC), Jeffrey Clague, were also convicted. The conviction shocked many in the financial and business community who expected a light sentence, if any. The bank's Board of Supervisors and the Central Bank of Suriname were quick to point out that neither the stability of the oldest bank in the country nor the monetary stability of Suriname are at risk, and Director Proeve refused to step down. The Bankers' Association Suriname (BVS) has called into question the practicality of the 1947 Foreign Exchange law on which the case is based. END SUMMARY

THE SENTENCES

[1](#)2. (U) Suriname's financial and business community, apparently expecting a sentence no harsher than a rap on the knuckles, was shocked at the convictions of both the past and the present directors of the oldest bank of Suriname. As per request of the public prosecutor, a judge sentenced Muller and Proeve to one year imprisonment - of which six months is conditional - and three years probation. Bhagwandin was sentenced to three months conditional imprisonment and three years probation. Clague was sentenced to one year imprisonment, of which six months conditional, and was fined 500,000 Surinamese dollars (SRD; about U.S. \$178,500). A fifth defendant, Ghautam Pharboe, was acquitted of all charges. The DSB Bank, as an entity, was fined two amounts: SRD 100,000 (U.S. \$35,700), plus SRD 1 million (U.S. \$357,000) based on presumed profits from the illegal activities, which it must pay back within one year or risk having its activities halted for up to one year. Clague's former company SLC was also fined SRD 1 million (U.S. \$357,000) in presumed profits. In his sentencing the judge

noted that the bank officials acted "knowingly and willingly" and that their actions "jeopardized" the fragile monetary stability of Suriname. The judge's sentencing was further guided by the fact that both the Central Bank and the Foreign Exchange Commission repeatedly warned DSB that its transfer of funds on behalf of its clients was in violation of the ruling legislation. Although no similar case has ever gone before the court, other cases involving the Foreign Exchange Commission have been resolved as economic offenses leading only to fines.

REACTIONS

13. (U) Amidst the shock ripples, the supervisory board and the union of DSB each issued statements condemning the convictions and declaring their full support for the bank's management. The supervisory board has gone so far as to retain Proeve as the president of the bank, asking him to continue the overall management, and he has agreed. In an effort to calm the financial market, the Central Bank immediately issued a statement that it guarantees DSB will continue to provide its regular services, and that it still has the fullest confidence in DSB, which has a market share of close to forty percent.

14. (U) Organizations like the Bankers' Association of Suriname (BVS) and the Association of Economists (VES) have expressed concern for the ramifications of the convictions for both Suriname and DSB. They say the convictions have seriously dented the trust people have in their banking institutions, and that trust is of the utmost necessity. The VES has, however, questioned the board's decision to retain Proeve as its manager. The BVS asked the government to update the country's foreign exchange legislation, citing its impracticality. The law dates back to 1947 and was passed as a continuation of a World War II measure to secure the

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country's financial system; it works contrary to the liberalized international system of today.

BIG NAMES OR BIG MONEY

15. (U) All three bank officials are considered prominent members of the community whose social status alone was seen as important enough to keep them out of prison. Muller is currently the president of a regional development bank for medium sized businesses, is president of Rotary Suriname, and is Honorary Consul of Sweden. Proeve is an up-and-coming face in the business community with significant links to social organizations. Bhagwandin is the son-in-law of the Governor of the Central Bank, Andre Telting. After the sentencing, the prosecutor stated that the payment of the fines is more important to her than the imprisonment. If the convictions hold, the government stands to earn approximately U.S. \$1 million in fines.

16. (SBU) COMMENT Businessmen might shake their heads over the doleful state of over-regulation which led to the case in the first place, or question the apparent government efforts to make money off the case. However, Post views the symbolic message of the case - unforgiving enforcement of the law - as a positive signal in a country where corruption has long been tolerated. Moreover, it is only the latest in a series of attacks on corruption (refs). Also of note is the interesting reaction of the Surinamese public: forgiveness and shock that the GOS would dare to convict prominent citizens. Given the above, Post notes that the GOS legal system may be ahead of the public in taking the fight against corruption seriously. END COMMENT

